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To: County and District Superintendents  
County and District Chief Business Officials  
Charter School Administrators

From: Janet Sterling, Director  
School Fiscal Services Division

Subject: **Financial Reporting for Charter Schools**

In our November 14, 2002 memorandum, "Update of Recent Charter School Legislation," we noted that Assembly Bill (AB) 1994, effective January 1, 2003, requires charter schools to prepare an annual financial report in a format prescribed by the Superintendent of Public Instruction (SPI). We are now writing to advise you about how the California Department of Education (CDE) plans to proceed in implementing the requirements of AB 1994 regarding charter school financial reporting.

### **Optional Charter School Reporting for 2002-03**

Because AB 1994 took effect January 1, 2003, half way through the school year, the financial reporting requirement for charter schools is postponed until the 2003-04 fiscal year. Financial reporting for the 2002-03 fiscal year will be optional for charter schools. As in 2001-02, local educational agencies (LEAs) will not be required to submit charter financial data to CDE for 2002-03; however, they may report charter data along with their own data if they so choose.

Fiscal year 2002-03 charter school financial data should be submitted electronically with the authorizing LEA's financial data, using the J-200 format or the standardized account code structure (SACS) format, whichever format is used by the authorizing LEA. Charter school data can be reported in the authorizing LEA's General Fund or Charter Schools Fund. The charter information does not need to be approved by the district or county office of education governing board, but must be submitted with the LEA's data.

Each county office of education with charter schools within the county should return the Charter Schools Financial Reporting Status checklist form when it submits the county financial reports. More detailed information regarding charter school reporting considerations will be included in the 2002-03 software instruction manuals, which will be available later this year.

As noted in the June 24, 2002 memorandum, "Financial Reporting for Charter Schools," charter schools are still responsible for tracking certain state and federal expenditures for compliance requirements. They should expect to respond to inquiries or requests for data from CDE regarding program expenditures when compliance issues are involved (e.g., programs outside of the charter school categorical block grant for which the charter school has chosen to accept money). Because we currently do not receive complete annual financial information from charter schools, it is particularly important for charter schools operating federal programs that have maintenance of effort requirements to respond to CDE requests for data. Not responding could result in the forfeiture of funds.

#### **Charter School Reporting After 2002-03**

To comply with AB 1994, the State Board of Education must adopt forms prescribed by the SPI for the annual financial reports which will be included in Title 5 of the California Code of Regulations. These will be effective for financial reporting for fiscal year 2003-04 and thereafter. The forms may be amended periodically by the SPI to accommodate changes in statute or government reporting standards.

The format of the financial reports is as yet undetermined. While nearly all school districts and county offices of education in California will soon have converted to SACS, we realize that some charters fear that it will be difficult to convert to SACS for financial reporting. We are exploring other options for charter school reporting and welcome your comments on this topic.

If you have any questions or comments about charter school financial reporting or the information in this letter, please contact the Office of Financial Accountability and Information Services by phone at (916) 322-1770 or by e-mail at [faisinfo@cde.ca.gov](mailto:faisinfo@cde.ca.gov). Previous correspondence referenced in this memorandum may be found at <http://www.cde.ca.gov/fiscal/financial/corresp.htm>.